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FM AMEMBASSY PARIS

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INFO AMEMBASSY BONN

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PASS TREASURY, FEDERAL RESERVE, COMMERCE, LABOR

E.O. 11652: N/A

TAGS: EALR, EFIN, EGEN, GR

SUBJECT: FRENCH FINANCIAL AND ECONOMIC DEVELOPMENTS

REF: PARIS 06298, MARCH 3

1. SUMMARY

THE ECONOMIC NEWS HAS BEEN FAIRLY EVENLY BALANCED

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BETWEEN THE GOOD AND BAD IN RECENT WEEKS. THE OVERALL
TREND REMAINS BASICALLY FLAT. WITH CONSUMPTION AND
INVESTMENT STAGNATING, THERE IS LITTLE HOPE THAT ANY
STIMULUS WILL COME FROM WITHIN FRANCE. THUS, IT IS
GENERALLY AGREED THAT ANY UPTURN WILL HAVE TO START
WITH AN IMPROVEMENT IN THE TRADE BALANCE. END SUMMARY.

2. SOFRES SURVEY REPORT FURTHER STRENGTHENING OF
CONFIDENCE IN GOF

A LE FIGARO-SOFRES SURVEY IN THE FIRST WEEK OF MARCH REPORTS A FURTHER STRENGTHENING OF CONFIDENCE. IN COMPARISON TO THE POLL CONDUCTED IN FEBRUARY, THERE HAS BEEN A MARKED STRENGTHENING IN OPINION WITH REGARD TO THE GOF'S ANTI-INFLATION PROGRAM' GISCARD'S ABILITY TO ORIENT FRENCH POLICY IN THE RIGHT DIRECTION, AND BARRE'S PERFORMANCE AS PRIME MINISTER. THERE HAS ALSO BEEN A LARGE INCREASE IN THOSE JUDGING THE CURRENT SOCIAL CLIMATE IN FRANCE AS GOOD. AS CONFIDENCE IN THE GOF'S ABILITY TO CONDUCT POLICY HAS IMPROVED, THE NUMBER OF RESPONDENTS BELIEVING THAT A GOVERNMENT OF THE LEFT WOULD CONDUCT AN EFFECTIVE ECONOMIC POLICY HAS DECREASED. IT IS INTERESTING TO NOTE THAT FEWER RESPONDENTS IN MARCH THAN IN FEBRUARY THOUGHT THAT THE FIGHT AGAINST UNEMPLOYMENT SHOULD BE THE GOF'S NUMBER ONE PRIORITY.

THE SURVEY IS GIVEN BELOW WITH THE CORRESPONDING RESPONSES FOR MARCH AND FEBRUARY SHOWN IN PERCENT.

1. HOW DO YOU FEEL WITH REGARD TO YOUR CONDITIONS OF LIVING (INCOME, HOUSING, JOB, ETC.)?

	MAR. 77	FEB. 77
VERY SATISFIED	7	7

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FAIRLY SATISFIED	59	58
FAIRLY UNHAPPY	25	27
VERY UNHAPPY	8	6
NO OPINION	1	2

2. AMONG THE FOLLOWING TYPES OF SOCIETIES, WHICH SEEMS TO YOU THE MOST DESIRABLE FOR FRANCE?

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MAR. 77 FEB. 77

LIBERAL (CURRENTLY AS IN FRANCE)	42	40
MORE LIBERAL (AS IN U.S. OR SWITZERLAND)	16	14
SOCIAL DEMOCRACY (AS WESTERN GERMANY)	26	26
POPULAR DEMOCRACY (AS EASTERN EUROPE)	3	2
COMMUNIST (USSR)	1	1
NO OPINION	12	17

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3. DO YOU HAVE THE FEELING THAT CIRCUMSTANCES ARE
GOING TO IMPROVE OR GO MORE BADLY FOR FRANCE AND THE
FRENCH?

MAR. 77 FEB. 77

IMPROVE	20	19
GO MORE BADLY	50	55
NO CHANGE	27	23

NO OPINION 3 3

4. IN YOUR OPINION THE SOCIAL CLIMATE IN FRANCE IS
CURRENTLY:

MAR. 77 FEB. 77

VERY GOOD	1	--
FAIRLY GOOD	35	25
FAIRLY BAD	51	56
VERY BAD	8	12
NO OPINION	5	7

5. IN YOUR OPINION THE PRINCIPAL PROBLEMS WHICH ARE
GOING TO COME UP IN THE NEXT TWO OR THREE MONTHS:

MAR. 77 FEB. 77

WILL BE RESOLVED BY NEGOTIATION AND COMPROMISE	48	48
RISK RESORTING TO CONFRONTATION AND VIOLENCE	32	36
NO OPINION	20	16

6. WHAT SHOULD BE THE PRIMARY CONCERN OF THE GOVERN-
MENT AT THE CURRENT TIME?

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MAR. 77 FEB. 77

INFLATION	43	42
UNEMPLOYMENT	35	39
VIOLENCE AND CRIME	13	10
MAINTENANCE OF SOCIAL PEACE	5	4
PROTECTION OF NATURE AND THE ENVIRONMENT	3	2
NO OPINION	1	3

7. WITH REGARD TO THE FIGHT AGAINST INFLATION, DO YOU
THINK THAT THE GOVERNMENT'S POLICY IS:

MAR. 77 FEB. 77

VERY EFFECTIVE	2	L
FAIRLY EFFECTIVE	32	28
NOT VERY EFFECTIVE	40	45
NOT EFFECTIVE AT ALL	19	21
NO OPINION	7	5

8. IF A GOVERNMENT OF THE LEFT WERE CURRENTLY IN
POWER, DO YOU THINK THAT ITS POLICY TO FIGHT AGAINST
INFLATION WOULD BE:

MAR. 77 FEB. 77

VERY EFFECTIVE	4	6
FAIRLY EFFECTIVE	30	33
NOT VERY EFFECTIVE	24	26
NOT EFFECTIVE AT ALL	16	14
NO OPINION	26	21

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9. HOW MUCH CONFIDENCE DO YOU HAVE IN M. GISCARD

D'ESTAING TO ORIENT FRENCH POLICY IN THE DIRECTION
WHICH YOU WOULD WISH?

COMPLE- FAIRLY NOT NOT NO
TELY CONF. VERY CONF. OPI-
CONF. CONF. AT NION
ALL

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FOREIGN POLICY	12	47	16	11	14
ECONOMIC POLICY	7	42	26	14	11
SOCIAL POLICY	6	42	26	14	12
FUNCTIONING OF					
INSTITUTIONS	8	45	19	10	18
DEFENSE OF LIBERTIES	15	50	16	10	9
REFORMS	8	42	24	13	13

10. WHAT IS YOUR OPINION OF M. BARRE AS PRIME MINISTER?

MAR. 77 FEB. 77

VERY GOOD	6	5
GOOD	22	22
FAIRLY GOOD	21	20
FAIRLY BAD	25	20
BAD	8	9
VERY BAD	7	10
NO OPINION	11	14

3. SURVEY NOTES TREND AWAY FROM CONSUMPTION TOWARD
SAVING

THE MOST RECENT SURVEY ON THE ATTITUDES AND PURCHASING
INTENTIONS OF HOUSEHOLDS, CONDUCTED BY INSEE BETWEEN
JANUARY 15 AND FEBRUARY 5, CONCLUDES THAT WITH
RESPECT TO THE NOVEMBER 1976 SURVEY THERE HAS BEEN
AN IMPROVEMENT IN ATTITUDE REGARDING PERSONAL
FINANCIAL SITUATIONS AND THE LEVEL OF LIFE IN
GENERAL, BUT THAT THE RESULTS REMAIN GENERALLY
LESS GOOD THAN THOSE OBTAINED IN JANUARY AND
MAY 1976. FURTHERMORE, THE JANUARY 1977 RESULTS
INDICATE A TREND TOWARD SAVING AT THE EXPENSE OF
CONSUMPTION.

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BETWEEN THE NOVEMBER AND JANUARY SURVEYS THE HOUSEHOLDS NOTED A DECLARATION IN THE RATE OF INFLATION. IN JANUARY 1977, 60.5 PERCENT OF THE HOUSEHOLDS THOUGHT THAT PRICES HAD INCREASED SUBSTANTIALY IN THE PREVIOUS SIX MONTHS AS COMPARED TO 70 PERCENT IN NOVEMBER, 59.5 PERCENT IN MAY AND 59 PERCENT IN JANUARY 1976. PRICE ANTICIPATIONS WERE SLIGHTLY MORE FAVORABLE IN JANUARY THAN IN NOVEMBER AND MUCH MORE FAVORABLE THAN BETWEEN NOVEMBER 1975 AND MAY 1976. IN JANUARY 1977, 44 PERCENT OF THE HOUSEHOLDS DECLARED THAT THE RATE OF PRICE INCREASE WAS GOING TO DECLINE. SINCE JANUARY 1973 THE ONLY SURVEY WHICH HAS BEEN MORE FAVORABLE IN THIS REGARD WAS THAT OF MAY 1975.

SINCE MAY THERE HAS BEEN A STEADY DETERIORATION IN OPINION CONCERNING THE EMPLOYMENT SITUATION OF WORKERS DURING THE PRECEDING SIX MONTHS. HOWEVER, THE RESULT FOR JANUARY WAS STILL CONSIDERABLY BETTER THAN THOSE OBTAINED IN 1975. THERE WAS LITTLE CHANGE SINCE NOVEMBER IN OPINION CONCERNING THE EMPLOYMENT MARKET FOR THE NEAR FUTURE, AND THESE RESULTS WERE AGAIN MORE FAVORABLE THAN THOSE OF THE 1975 SURVEYS.

THE JANUARY SURVEY REVEALED A CLEAR SHIFT AWAY FROM

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TO SECSTATE WASHDC 0702
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CONSUMPTION TOWARD SAVING. THE NUMBER OF HOUSEHOLDS WHO THOUGHT THAT THE PRESENT MOMENT WAS FAVORABLE FOR MAKING IMPORTANT PURCHASES HAD DECLINED SINCE MAY. IN FACT THE BALANCE FOR JANUARY BETWEEN THOSE THINKING IT A FAVORABLE VERSUS UNFAVORABLE MOMENT HAD ALMOST DECLINED TO THE LEVEL REACHED IN JANUARY AND MAY 1975, THE WORST POINTS SO FAR IN THIS SERIES. IN CONTRAST THERE HAD BEEN A SUBSTANTIAL INCREASE SINCE NOVEMBER 1976 IN THOSE WHO THOUGHT IT WOULD BE WISE TO SAVE
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AT THE CURRENT TIME. ONLY 36.5 PERCENT OF THE HOUSEHOLDS INTERVIEWED IN JANUARY THOUGHT THAT THEY WOULD DEFINITELY NOT SUCCEED IN PUTTING ASIDE SOME MONEY IN THE COMING MONTHS. THIS PERCENTAGE IS THE LOWEST SINCE THE BEGINNING OF THE SERIES (NOVEMBER 1972). THERE WAS ALSO A SHIFT AWAY FROM MORE LIQUID FORMS OF SAVINGS. 19.5 PERCENT RESPONDED THAT THEY WOULD KEEP ANY EXTRA MONEY IN THE FORM OF CASH OR CHECKING ACCOUNTS; THE PREVIOUS LOW WAS 20.5 PERCENT IN NOVEMBER 1975. THE SHIFT WAS TOWARD SAVINGS AND BUILDING SAVINGS ACCOUNTS.

IF HOUSEHOLDS' INTENTIONS TO PURCHASE AUTOMOBILES THIS YEAR ACTUALLY MATERIALIZE, 1977 SHOULD BE ANOTHER VERY GOOD YEAR FOR THE AUTOMOBILE INDUSTRY. HOUSEHOLDS REPORTED IN JANUARY 1977 FIRM INTENTIONS OF BUYING 472,000 NEW CARS AS COMPARED TO THEIR INTENTION TO PURCHASE 364,000 NEW CARS IN JANUARY 1976 AND POSSIBLE INTENTIONS OF PURCHASING 308,000 NEW CARS AS COMPARED TO 240,000 LAST YEAR. THEIR INTENTIONS WITH REGARD TO PURCHASES OF USED CARS WERE 350,000, DEFINITE, AND 286,000, POSSIBLY, AS COMPARED TO 416,000, DEFINITE, AND 340,000, POSSIBLY, IN JANUARY 1976. THUS, CONSUMERS HAVE SAID THAT THEY MAY BUY 780,000 NEW

CARS IN 1977; IN 1976 THIS POSSIBILITY WAS ONLY
604,000 NEW CARS.

4. COMPANIES' FINANCIAL SITUATION DETERIORATES IN
SECOND HALF 1976

A SURVEY CONDUCTED BY INSEE BETWEEN DECEMBER 10-
JANUARY 3 REVEALS THAT THE FINANCIAL SITUATION OF
COMPANIES, WHICH HAD BEEN IMPROVING SINCE THE BEGINNING
OF 1975, DETERIORATED DURING THE SECOND HALF OF 1976.
ALL SECTORS OF ACTIVITY WERE AFFECTED, BUT IN
PARTICULAR THE INTERMEDIATE GOODS SECTOR,
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ESPECIALLY THE METAL, WOOD AND FURNITURE INDUSTRIES.
IN THE CONSUMER GOOD SECTOR SOME MODERATE DIFFICULTIES
WERE BEGINNING TO BE FELT, WITH THE EXCEPTION OF THE
AUTOMOBILE INDUSTRY WHERE THE FINANCIAL SITUATION WAS
STILL VERY GOOD. THE CAPITAL GOODS SECTOR WAS
EXPERIENCING VERY LITTLE DIFFICULTY. FIRMS WITH LESS
THAN 100 EMPLOYEES APPEARED TO BE PARTICULARLY
HARD-HIT.

THE FACTORS WHICH INDUSTRIALISTS CITED AS CREATING
THE GREATEST DIFFICULTY FOR THEIR FINANCIAL SITUATION
WERE THE INCREASE IN OPERATING EXPENSES, THE
INADEQUACY OF THEIR SELLING PRICES, AND THE WEAKNESS
OF DEMAND. THE INCREASE IN OPERATING EXPENSES WAS
CITED AS BEING THE MOST UNFAVORABLE FACTOR, BUT ITS
RELATIVE IMPORTANCE HAD DECREASED SLIGHTLY SINCE
THE LAST SURVEY IN MAY. THE WEAKNESS OF DEMAND,
WHICH SHOWED A SUBSTANTIAL INCREASE BETWEEN THE TWO
SURVEYS, REPLACED THE INADEQUACY OF SELLING PRICES AS
THE SECOND FACTOR CITED AS BEING MOST UNFAVORABLE
TO FIRMS' FINANCIAL SITUATIONS. ITS INFLUENCE WAS
ESPECIALLY STRONG FOR LARGE FIRMS AND THE INTERMEDIATE
GOODS SECTOR, BUT IT WAS BECOMING INCREASINGLY
IMPORTANT IN OTHER SECTORS. THE INADEQUACY OF
SELLING PRICES WAS FELT PARTICULARLY IN THE
INTERMEDIATE GOODS SECTOR.

COMPANIES' OPERATIONAL RESULTS, WHICH HAD SHOWN A
CLEAR IMPROVEMENT IN THE FIRST HALF OF 1976 AFTER
HAVING BEEN VERY WEAK IN 1975, DECREASED SLIGHTLY
IN THE SECOND HALF OF THE YEAR. THE FINANCIAL
SITUATION IN THE CONSUMER GOODS SECTOR SHOWED ONLY
A SLIGHT DECLINE, WITH THE EXCEPTION OF THE LEATHER
INDUSTRY WHERE FINANCES WERE AT A VERY WEAK LEVEL.
IN THE CAPITAL GOODS SECTOR THERE WAS A CLEAR
DETERIORATION IN THE OPERATING RESULTS WHILE THE

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SITUATION REMAINED DIFFICULT FOR THE INTERMEDIATE
GOODS SECTOR, PARTICULARLY IN THE METAL, PETROLEUM

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AND PAPER-CARTON INDUSTRIES.

ALTHOUGH THE NUMBER OF FIRMS ASKING FOR AN EXTENSION
OF THEIR CREDIT AUTHORIZATION REMAINED LOW, AN

INCREASING NUMBER OF THESE WERE EXPERIENCING
DIFFICULTY IN OBTAINING FULL OR EVEN PARTIAL
SATISFACTION. THE INDUSTRIALISTS INDICATED AN
INCREASE IN THEIR UTILIZATION OF SHORT-TERM BANK
CREDITS.

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AS A RESULT OF THE FINANCIAL DIFFICULTY WHICH THEY
WERE EXPERIENCING, A LARGER NUMBER OF FIRMS REPORTED
THAT THEY HAD DELAYED CERTAIN ORDERS AND DELIVERIES
IN THE SECOND HALF OF 1976 THAN DURING THE FIRST
HALF. HOWEVER, THE NUMBER WAS STILL BELOW THAT OF
THE SECOND HALF OF 1975. A GREATER NUMBER OF FIRMS
IN DECEMBER THAN IN MAY REPORTED THEY WERE INCREASING
THEIR SHORT-TERM DEBT WHILE THEY WERE CUTTING BACK
ON MEDIUM AND LONG-TERM DEBT. THE INDUSTRIALISTS
EXPECTED THIS DIFFICULT FINANCIAL SITUATION TO
CONTINUE THROUGH THE FIRST HALF OF 1977.

IN ORDER TO IMPROVE THEIR FINANCIAL SITUATION, 36
PERCENT OF THE INDUSTRIALISTS, ESPECIALLY THOSE IN
THE INTERMEDIATE GOODS SECTOR, INDICATED THAT THEY
WOULD SLOW-DOWN THEIR INVESTMENT ORDERS. TWENTY-
FIVE PERCENT WERE IN FAVOR, INSTEAD, OF SLOWING
DOWN THEIR PURCHASES OR PRODUCTION OR REDUCING
THEIR EMPLOYMENT WHILE ANOTHER TWENTY-FIVE PERCENT
FAVORED MAKING GREATER USE OF SHORT-TERM FINANCIAL
AIDS.

5. COMPANY FAILURES APPEAR TO BE ON THE DECLINE

FOR THE THIRD MONTH IN A ROW, THE NUMBER OF COMPANY
FAILURES DECLINED IN FEBRUARY. THIS SEEMS TO
MARK, AT LEAST FOR THE MOMENT, A HALT TO THE SHARP
INCREASE IN COMPANY FAILURES WHICH OCCURRED LAST
AUTUMN. THE DECREASE IS OBSERVED IN ALL SECTORS
WITH THE EXCEPTION OF THE SERVICE SECTOR WHERE THE
NUMBER IS SLIGHTLY HIGHER THAN IN JANUARY, ALTHOUGH
VERY MUCH BELOW THE NOVEMBER 1976 LEVEL. THE
COMMERCE SECTOR HAS SHOWN THE GREATEST IMPROVEMENT
WITH ONLY A MODERATE NUMBER OF FAILURES, NEAR THE
AVERAGE FOR THE LAST FEW YEARS. IN CONTRAST, IN
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THE BUILDING AND PUBLIC WORKS SECTOR, IN

INDUSTRY AND IN CERTAIN PARTS OF THE SERVICE SECTOR, THE NUMBER OF FAILURES STILL REMAIN AT A HIGH LEVEL, MUCH ABOVE THE 1973 LEVEL, THE POINT AT WHICH THE SHARP INCREASE IN COMPANY FAILURES COMMENCED.

6. GROWTH OF MONEY SUPPLY VERY MODERATE IN DECEMBER

THE SEASONALLY ADJUSTED MONEY SUPPLY (M2) SHOWED A VERY MODERATE 0.3 PERCENT INCREASE IN DECEMBER, INCREASING FROM FF 847.3 BILLION IN NOVEMBER TO FF 850.2 BILLION IN DECEMBER. THIS MODERATE RESULT WAS IN PART DUE TO END OF THE YEAR WINDOW-DRESSING AND A DELAY OF THE ACCOUNTING DEADLINE UNTIL THE SECOND WORKING DAY IN JANUARY THAT DELAYED SETTLEMENTS OF OUTSTANDINGS WHICH ARE ALWAYS VERY LARGE AT YEAR END. M1 WAS FF 437.3 BILLION, A DECREASE FOR THE MONTH OF 0.8 PERCENT. ACCORDING TO THE CONSEIL NATIONAL DU CREDIT THIS DECREASE REFLECTED AN ABNORMAL FALL IN POSTAL CHECKING ACCOUNT HOLDINGS AND A QUASI-STAGNATION, EQUALLY UNEXPECTED, IN BANK DEMAND DEPOSITS. THE REABSORPTION OF THE OUTSTANDING ENTRIES MENTIONED ABOVE AFFECTED ESPECIALLY DEMAND DEPOSITS. NEAR MONEY STOOD AT FF 414.1 BILLION, AN INCREASE OF 2.0 PERCENT FOR THE MONTH.

ON AN UNADJUSTED BASIS, M2 WAS FF 875.1 BILLION, 3.7 INCREASE FOR THE MONTH AND 12.6 PERCENT INCREASE FOR THE YEAR. M1 WAS FF 464.5 BILLION AND NEAR MONEY WAS FF 410.6 BILLION, 6.1 AND 1.2 PERCENT INCREASES RESPECTIVELY IN DECEMBER. NET FOREIGN EXCHANGE STOOD AT FF 41.3 BILLION (0.7 PERCENT INCREASE), CLAIMS ON THE PUBLIC SECTOR AT FF 115.6 (-3.8 PERCENT DECREASE), AND CLAIMS ON THE PRIVATE SECTOR AT UNCLASSIFIED

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FF 764.5 BILLION (4.0 PERCENT INCREASE).

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7. TRADE DEFICIT DECREASES IN FEBRUARY

ACCORDING TO PRELIMINARY NEWS REPORTS, THE
SEASONALLY ADJUSTED TRADE DEFICIT WAS FF 1.5
BILLION IN FEBRUARY, DOWN FROM FF 2.4 BILLION
IN JANUARY. EXPORTS WERE FF 25.5 BILLION, AN
INCREASE OF 0.8 PERCENT, WHILE IMPORTS WERE
FF 27.1 BILLION, A DECREASE OF 2.2 PERCENT. THE
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RATE OF EXPORT COVER INCREASED FROM 91.3 PERCENT
IN JANUARY TO 94.4 PERCENT.

AMONG THE FACTORS WHICH EXPLAIN THIS IMPROVEMENT
IN THE TRADE DEFICIT WAS THE DECREASE IN ENERGY
IMPORTS. ENERGY IMPORTS HAD SWELLED IN JANUARY
DUE TO ANTICIPATORY PURCHASES; THE FEBRUARY BILL
WAS REDUCED BY FF 800 MILLION.

THE AGRICULTURE SIDE ALSO SHOWED IMPROVEMENT, WITH THE EXCEPTION OF THE MUCH HIGHER COSTS OF COFFEE. AGRICULTURE EXPORTS INCREASED BY FF 300 MILLION IN FEBRUARY, AND THE COST OF THE DROUGHT WAS REDUCED TO FF 400-500 MILLION FROM THE FF 600 MILLION IN NOVEMBER. OF THE TOTAL AGRICULTURE DEFICIT OF FF 785 MILLION IN FEBRUARY, FF 600 MILLION WAS DUE TO COFFEE IMPORTS WHICH HAVE TRIPLED IN COST SINCE 1976.

IN THE CONSUMER GOODS AND CAPITAL GOODS SECTORS, THERE HAS BEEN A FAVORABLE EVOLUTION, PARTICULARLY FOR AUTOMOBILES WHERE THE SURPLUS INCREASED TO FF 1.2 BILLION AS COMPARED TO A MONTHLY AVERAGE OF FF 900 MILLION IN 1976. THE CONSUMER GOODS SECTOR, WHICH HAD REGISTERED A DEFICIT OF FF 600 MILLION AS AGAINST A SURPLUS OF FF 4.5 BILLION IN 1975, WAS BALANCED IN FEBRUARY.

. SHARP INCREASE IN INTERNATIONAL PRICES OF IMPORTED PRIMARY MATERIALS REGISTERED IN FEBRUARY

THE INDEX OF INTERNATIONAL PRICES OF PRIMARY MATERIALS IMPORTED BY FRANCE INCREASED BY 9.0 PERCENT IN FEBRUARY ALONE, AN INCREASE OF 84.4 PERCENT FOR THE YEAR ENDING IN FEBRUARY. THE MAJOR FACTOR WAS THE 13.0 PERCENT INCREASE IN THE PRICES OF AGRICULTURAL PRIMARY MATERIALS (145.3 PERCENT FOR THE YEAR).
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INDUSTRIAL PRIMARY MATERIALS INCREASED BY 3.3 PERCENT IN FEBRUARY (34.2 PERCENT FOR THE YEAR). IN THE PAST YEAR THE PRICES OF IMPORTED FOODSTUFFS HAVE INCREASED BY 249.5 PERCENT:

9. SUBSTANTIAL INCREASE IN INDUSTRIAL PRODUCTION IN JANUARY

THE INDEX OF INDUSTRIAL PRODUCTION (1970=100) ROSE TO 130 IN JANUARY UP FROM 124 IN DECEMBER. MINISTER DELEGATE DURAFOR COMMENTED THAT WHILE THE INDEX IS NOT SUFFICIENTLY RELIABLE TO ATTACH LARGE SIGNIFICANCE TO THE MONTH-TO-MONTH CHANGES, OVER THE PAST HALF YEAR PRODUCTION HAS INCREASED BY 4.8 PERCENT.

10. SEASONALLY ADJUSTED UNEMPLOYMENT MARKS SHARP INCREASE IN FEBRUARY

ALTHOUGH UNADJUSTED UNEMPLOYMENT FELL FROM 1,068,400 IN JANUARY TO 1,055,000 IN FEBRUARY,

THE SEASONALLY ADJUSTED DATA INCREASED BY 2.9
PERCENT FROM 944,700 TO 972,400. SEASONALLY
ADJUSTED JOB OFFERS INCREASED BY 3.5 PERCENT,
FROM 104,800 TO 108,500.

11. FRENCH EXTERNAL BORROWINGS

THE FOLLOWING LONG-TERM EXTERNAL FRENCH BORROWINGS
WERE NOTED IN THE PRESS DURING THE REPORTING
PERIOD:

(1) ELF AQUITAINE, \$75 MILLION, 8 YEARS, 8.25
PERCENT INTEREST RATE.

(2) FRANCETEL, DM 50 MILLION, 7 YEARS, 6.75 PERCENT
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COME-00 EB-08 FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00
XMB-04 OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 NSC-05
SS-15 STR-04 CEA-01 L-03 H-02 PA-02 PRS-01 AGRE-00
ITC-01 /128 W

-----171225Z 079253 /15

R 171141Z MAR 77
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 0705
INFO AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY ROME
AMEMBASSY TOKYO
USDEL MTN GENEVA
USMISSION EC BRUSSELS
USMISSION OECD PARIS
AMCONSUL BORDEAUX

AMCONSUL LYON
AMCONSUL MARSEILLE
AMCONSUL NICE
AMCONSUL STRASBOURG

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INTEREST RATE

(3) BANQUE LOUIS-DREFUS, \$20 MILLION, 6 YEARS,
FLOATING RATE

12. SOME IMPROVEMENT IN CURRENT ACCOUNT DURING
FOURTH QUARTER 1976

PROVISIONAL BALANCE OF PAYMENTS DATA FOR THE FOURTH
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QUARTER OF 1976 SHOWS A DEFICIT OF FF 7.2 BILLION,
A SLIGHT IMPROVEMENT OVER THE FF 11.9 BILLION
REGISTERED IN THE SECOND QUARTER. THE IMPROVEMENT
WAS ENTIRELY DUE TO THE SERVICES AND TRANSFERS
ACCOUNTS SINCE THERE WAS SLIGHT DETERIORATION IN
THE TRADE DEFICIT. ALTHOUGH THE IMPROVEMENT WAS
PARTLY DUE TO SEASONAL FACTORS, THE DECREASE IN
THE DEFICIT WAS STILL FF 2.1 BILLION ON A
SEASONALLY ADJUSTED BASIS. IN THE SERVICES
ACCOUNT THE TWO ITEMS WHICH REGISTERED THE LARGEST
INCREASE WERE TOURISM, WHICH WENT FROM A DEFICIT
OF FF 0.4 BILLION IN THE THIRD QUARTER TO A SURPLUS
OF FF 0.6 BILLION IN THE FOURTH QUARTER, AND INCOME
ON CAPITAL, FROM A FF 0.4 BILLION DEFICIT TO A FF
1.1 BILLION SURPLUS. THERE WAS A SUBSTANTIAL
DECREASE IN THE DEFICITS FOR BOTH PRIVATE AND
PUBLIC TRANSFERS: THE DEFICIT ON PRIVATE TRANSFERS
FELL FROM FF 1.8 BILLION TO FF 1.6 BILLION, DUE
MAINLY TO THE FF 250 MILLION DECREASE IN WORKERS'
REMITTANCES, WHILE THE DEFICIT ON PUBLIC TRANSFERS
FELL FROM FF 1.4 BILLION TO FF 0.2 BILLION, DUE TO
AN IMPROVEMENT ON THE BALANCE OF OPERATIONS WITH
THE EC.

THE LONG TERM CAPITAL ACCOUNT SHOWED A SURPLUS OF
FF 2.6 BILLION IN CONTRAST TO DEFICITS REGISTERED
IN THE THREE PRECEDING QUARTERS. ON THE PORTFOLIO
AND DIRECT INVESTMENT ACCOUNT THE DEFICIT DECLINED
FROM FF 3.7 BILLION IN THE THIRD QUARTER TO
FF 1.3 BILLION IN THE FOURTH QUARTER. THERE WAS

A SLIGHT DECLINE IN THE COMMERCIAL CREDITS FOR
EXPORTS FROM FF 3.9 BILLION TO FF 3.3 BILLION.
(BETWEEN 1975 AND 1976 EXPORT CREDITS INCREASED
FROM FF 10 BILLION TO FF 15.7 BILLION). THERE WAS
A VERY LARGE INCREASE IN EXTERNAL BORROWINGS FROM
FF 5.0 BILLION IN THE THIRD QUARTER TO FF 7.2 BILLION
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IN THE FOURTH QUARTER. THE SURPLUS ON THE SHORT-
TERM CAPITAL ACCOUNT DECLINED FROM FF 7.5 BILLION TO
FF 3.3 BILLION.

FRENCH BALANCE OF PAYMENTS
(IN BILLIONS OF FRANCS; DATA FOR FOURTH QUARTER
PRELIMINARY; DATA FOR SECOND AND THIRD QUARTER 1976
REVISED)

	76I	76II	76III	76IV	1976
TRADE BAL.	-3.5	-1.5	-8.7	-7.6	-21.4
NET SERVICES	0.0	1.8	0	2.2	3.9
BAL. ON GOODS					
& SERVICES	-3.5	0.3	-8.7	-5.4	-17.5
NET TRANSFERS	-2.5	-2.7	-3.2	-1.7	-10.1
BAL. ON CURRENT ACCT-	6.0	-2.5	-11.9	-7.2	-27.6
LONG TERM CAPITAL,					
NET	-3.2	-1.9	-2.6	2.6	-5.1
BASIC BALANCE	-9.2	-4.4	-14.5	-4.6	-32.7
SHORT TERM CAPITAL,					
MONETARY TRANS.					
PLUS ERRORS &					
OMISSIONS	0.2	2.6	7.5	3.3	13.7

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ACTION EUR-12

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SS-15 STR-04 CEA-01 L-03 H-02 PA-02 PRS-01 AGRE-00
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AMCONSUL MARSEILLE
AMCONSUL NICE
AMCONSUL STRASBOURG

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BALANCE - 8.9 - 1.7 - 7.0 - 1.3 -19.0

13. OTHER REPORTS SUBMITTED DURING THE PERIOD

TELEGRAMS

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06551 EUROTEC INTERNATIONAL - REPATRIATION 3/4
06479 EXPORT CREDITS:EC COMPETENCY ISSUE 3/4
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A-88 VALUE OF TRADE IN MANUFACTURES 3/11

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Message Attributes

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Disposition Reason:
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Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
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Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
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Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
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Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
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Secure: OPEN
Status: NATIVE
Subject: FRENCH FINANCIAL AND ECONOMIC DEVELOPMENTS
TAGS: EALR, EFIN, EGEN, GR
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/ec127db6-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009